Corporate Update

Al-`Aqar Healthcare REIT

(5116 | AQAR MK) Main | REIT

2 Stars

SHARIAH Compliant

Maintain **NEUTRAL**

Revised Target Price **RM1.30**
(from RM1.26)

4QFY25 Earnings Review
Flattish Earnings

Maintain NEUTRAL on Al-`Aqar Healthcare REIT with a revised TP of RM1.30**. Al-`Aqar Healthcare REIT FY25 core earnings of RM64.3m came in slightly below estimates. Al-`Aqar Healthcare REIT recorded marginal earnings growth in FY25 as the higher contribution from newly acquired assets offset by the higher expenses. We revise our earnings forecast downwards to factor in the higher expenses. We maintain our **NEUTRAL** call on Al-`Aqar Healthcare REIT mainly due to flattish earnings outlook. We revise our **TP for Al-`Aqar Healthcare REIT to **RM1.30** from RM1.26 after rolling-over our Dividend-Discount Model valuation.

FY25 earnings slightly below our expectation. Al-`Aqar Healthcare REIT FY25 core net income of RM64.3m came in slightly below our expectation, making up 94% of our full year forecast. The negative deviation was mainly due to higher-than-expected expenses. Al-`Aqar Healthcare REIT announced distribution per unit (DPU) of 1.86sen for 4QFY25, bringing total DPU to 7.06sen in FY25. That translates into gross distribution yield of 5.5%.

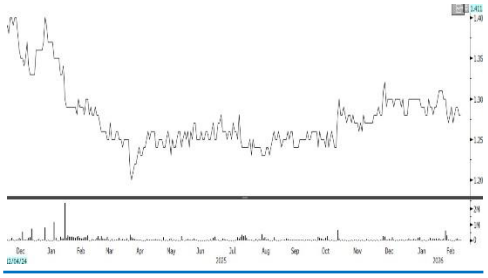
Marginal earnings decline. Sequentially, Al-`Aqar Healthcare REIT core earnings in 4QFY25 was flattish at RM16.1m (-0.8%qoq) despite higher topline (+11.7%qoq). The higher topline was mainly due to rental contribution from the newly acquired KPJ Ampang Puteri new building and KPJ Penang new building from KPJ Healthcare Berhad. Nevertheless, earnings were dragged by higher property expenses and higher Islamic financing costs. Note that Al-`Aqar Healthcare REIT incurred higher borrowing cost for the acquisition of new assets. Meanwhile, gearing of Al-`Aqar Healthcare REIT increased to 0.48x in 4QFY25 from 0.41x in 3QFY25.

Flattish higher earnings in FY25. On a yearly basis, 4QFY25 core net income was weaker at RM16.1m (-1.2%yoy). Cumulatively, FY25 core net earnings were slightly higher at RM64.3m (+0.8%yoy). The marginally better earnings were due to higher contribution from newly acquired assets which mitigated the higher property expenses, higher managers' fees and higher Islamic financing cost.

Target price revised to RM1.30. We revise our earnings forecast for FY26/27 by -6.2% to factor in the higher expenses. We revise our **TP** for Al-`Aqar Healthcare REIT to **RM1.30** from RM1.26 as we roll-over our DDM valuation to FY27. Overall, we see flattish earnings outlook for Al-`Aqar Healthcare REIT. Hence, we maintain **NEUTRAL** on Al-`Aqar Healthcare REIT. Meanwhile, gross distribution yield is estimated at 5.6%.

RETURN STATISTICS	
Price @ 25th Feb 2026 (RM)	1.28
Expected share price return (%)	+1.6
Expected dividend yield (%)	+5.6
Expected total return (%)	+7.2

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-0.8	-2.7
3months	0.0	-7.4
12 months	-0.8	-11.3

INVESTMENT STATISTICS

FYE Dec	2025A	2026F	2027F
Revenue	120	120	121
Net Rental Income	105	111	112
Profit Before Tax	56	66	66
Core Net Income	64	66	66
Core EPU (sen)	7.66	7.49	7.55
Gross DPU (sen)	7.06	7.20	7.30
Gross Yield	5.52%	5.63%	5.70%

KEY STATISTICS

FBM KLCI	1,747.81
Issue shares (m)	839.60
Estimated free float (%)	41.15
Market Capitalisation (RM'm)	1,075
52-wk price range	RM1.2 – RM1.32
3-mth average daily volume (m)	0.07
3-mth average daily value (RM'm)	0.09
Top Shareholders (%)	
Lembaga Tabung Haji	13.35
EPF	13.19
Amanah Saham Nasional Bhd	7.65
KWAP	7.53

Analyst
Jessica Low Jze Tieng
jessica.lowjt@mbsb.com
03-2173 8391

Al-`Aqar Healthcare REIT: 4QFY25 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	4QFY25	%YoY	%QoQ	FY25	%YoY
Gross rental income	32.7	12.5%	11.7%	120.0	2.3%
Net rental income	28.6	4.1%	11.9%	104.5	-5.6%
Profit before tax	7.7	-20.4%	-52.6%	55.7	-4.1%
Profit after tax	7.7	-22.0%	-52.6%	55.7	-4.39%
Core net income	16.1	-1.2%	-0.8%	64.3	0.76%
Realised EPU (sen)	0.9	-22.0%	-52.6%	6.6	-4.4%
Core EPU (sen)	1.9	-1.2%	-0.8%	7.7	0.8%
Gross DPU (sen)	1.86	18.5%	7.5%	7.1	-2.9%

Source: Company, MBSB Research

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2023A	2024A	2025A	2026F	2027F
Gross Revenue	121	117	120	120	121
Net Rental Income	111	105	111	102	104
Profit Before Tax	61	58	56	66	66
Net Income	61	58	56	66	66
Core Net Income	66	64	64	66	66
Core EPU (sen)	7.8	7.6	7.7	7.5	7.5
Core PER (x)	16.3	16.8	16.7	17.1	17.0
NAV/unit (RM)	1.28	1.25	1.25	1.23	1.24
P/NAV (x)	1.00	1.02	1.02	1.04	1.04

Balance Sheet (RM'm)	2023A	2024A	2025A	2026F	2027F
Investment properties	1,643	1,654	1,879	1,889	1,898
Total non-current assets	1,643	1,654	1,879	1,889	1,898
Islamic fixed deposits with licensed banks	31	53	53	53	54
Cash and cash equivalents	53	34	39	106	194
Other assets	128	94	117	135	119
Total Assets	1,856	1,836	2,088	2,183	2,266
Islamic financing	678	649	371	363	356
Other Liabilities	106	133	667	744	826
Total Liability	784	782	1,038	1,108	1,183
Unitholders' capital	855	855	855	855	855
Other Equity	218	199	214	221	228
Total unitholders' fund	1,072	1,054	1,050	1,075	1,082
Equity + Liability	1,856	1,836	2,088	2,183	2,266

Cash Flow (RM'm)	2023A	2024A	2025A	2026F	2027F
Cash flows from operating activities					
Net income before taxation	61	58	56	76	76
Net cash from operating activities	101	97	107	111	114
Cash flows from investing activities					
Acquisition of investment properties	0	0	0	0	0
Net cash used in investing activities	1	13	-244	-185	-141
Cash flows from financing activities					
Net cash from/(used in) financing activities	-117	-101	152	132	115
Net increase/(decrease) in cash and cash equivalents	-14	8	16	58	89
Cash and cash equivalent at 1 January	96	84	87	103	161
Cash and cash equivalent at 1 December	84	87	103	161	249

Profitability Ratios (%)	2023A	2024A	2025A	2026F	2027F
Net rental income margin	91.5%	89.2%	92.6%	85.1%	86.0%
Core net income margin	54.4%	54.4%	53.6%	54.8%	54.8%
ROE	6.1%	6.1%	6.1%	6.1%	6.1%
ROA	3.5%	3.5%	3.1%	3.0%	2.9%

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STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology